

439 and services than it gave, the difference being gained by the towns.⁹
 433 According to these views, trade relations were actually detrimental
 241 to the rural areas, which were being drained by the towns and industries.

It is not necessary here to discuss the theoretical question whether there is any absolute disadvantage to the countryside in its commerce with the towns. If during a period of change toward industrialization the countryside's position declines in relation to the town, it is quite possible for a number of other factors—which may be “short term” or even noneconomic—to convert this relative disadvantage into an absolute loss in income. Such factors may include the inelasticity of agricultural supply, the immobility of agricultural labor, and the increase in agricultural population. Finally, governmental and political policies may favor industry at the expense of agriculture. This last point requires further elucidation, as it was quite important in Rumania.

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Rumanian industry was created in the shelter of high protective tariffs, which undoubtedly served to increase the costs of agriculture and to benefit industry at its expense. These tariffs have been justified by the “infant industries” argument, and in part they were brought about by the agricultural protectionist policy of the European industrial states. But the combination of protectionism and the development of cartels did give industry a monopolistic position in the internal Rumanian market which worked to the disadvantage of agriculture. In addition to tariff protection, Rumania had a long tradition of direct encouragements to industry—such as exemptions from taxation and special transport rates—which persisted in the interwar period and were expanded in the 1930's.

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The protective tariffs, by restricting foreign imports, had the effect of bringing in foreign capital for investment in local industry. But while foreign capital has been of great importance in the development of Rumania's larger industries and in the creation of its transportation system, the effect on the total economy has been somewhat one-sided, partly because the capital was naturally attracted to industries working for export: “Without depreciating the influence of foreign capital in stimulating industrialization, it is to be underlined that the benefits of invested foreign capital do not for the most part serve to create purchasing power in the national market

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9. M. Manoilescu, “Das wirtschaftliche und soziale Dreieck der Agrarstaaten: die Stadt, das Dorf, das Ausland,” *Internationale Agrarwissenschaft*, No. 6 (Berlin, 1940), also cited in Hugo Böker, “Agriculture's Share in the National Income and the Agricultural Situation,” *International Review of Agriculture*, 32, No. 1 (January, 1941), 22. For a discussion of M. Manoilescu's views, see below, pp. 193-197.

TOWN, COUNTRY, AND FOREIGN TRADE

73

and do not contribute to increasing the supply of capital, since they are exported."¹⁰

433 A comparison of industrial manufacture, industrial imports, and
651 consumption of manufactured goods between 1927 and 1938 shows
457 that while the percentage of industrial consumption which was pro-
433 vided for by Rumanian industry rose from 63.5 per cent to 78.6 per cent, the total consumption of industrial products dropped from about 93 billion lei in 1927 to 88 billion lei in 1938. That is, the increase in industrial production (from 59 to 69 billion lei) was more than balanced by the fall in industrial imports (from 34 to 19 billion lei).¹¹

From this the conclusion might be drawn that Rumanian industrialization, instead of increasing purchasing power, was reducing it. Such indeed was Madgearu's opinion: "It is certain that the position of quasi-monopoly created by the system of protection of the national industry is the principal cause of the state of inferiority into which agriculture in general and peasant agriculture in particular have been driven."¹²

If the desirability of a policy of industrialization is granted, it is clear that since industries do not materialize from thin air and are not created by amiable fairy godmothers energy and resources must be diverted from other fields to the creation of industry, at least during the period of its inception and establishment. But the ultimate effect, presumably, is to raise the whole level of the economy; perhaps the agricultural sector will not advance as rapidly or as far, but in the long run at least the whole community should benefit. If Madgearu's conclusion is correct, such was not the result of Rumanian industrialization; instead, the industrial sector pulled away from the rest of the economy, was not directed to satisfying its needs, and may actually have reduced the over-all power of consumption.

Admittedly, twenty-five years may be too brief a period in which to judge such a development. Moreover, as has been mentioned before, a great many external influences had a powerful effect upon the Rumanian economy. The first years after 1921 were spent in recover-

[113] 10. Madgearu, *op. cit.*, p. 204. In this connection see also Joso Tomasevich's chapter on "Foreign Economic Relations," in *Yugoslavia*, ed. Robert J. Kerner (Berkeley: Los Angeles, 1949), which expresses substantially the same view regarding the role of foreign investment in Yugoslavia.

11. Madgearu, *op. cit.*, p. 237.

12. Madgearu, *op. cit.*, p. 259. Madgearu's conclusions, however, are not altogether disinterested. As an old National Peasant who had attacked the protectionist policy of the Liberal party and had lowered tariffs when he was Minister of Finance, he was always of the opinion that industrial development in Rumania had been artificially forced and was battenning on the peasant.

TOWN, COUNTRY, AND FOREIGN TRADE

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It is obvious, of course, that the real impulse toward industrialization in backward countries has been only in part economic; nationalism and the demands of state security have probably been more important in forming the actual decisions to create national industries. National interests, moreover, have a way of making relative economic differences appear absolute. Thus, if two countries are making economic progress, but one at twice the rate of the other, from the purely economic point of view both countries are gaining and the whole situation is on the positive side of the ledger. But if these two states are also involved in power politics, the relative economic disadvantage of the one state appears, and may in fact prove to be, an absolute loss. Consequently, when power relations enter into the picture, and in the Balkans that is axiomatic, economic disadvantages, which may be only relative or "temporary" in theory, appear much more menacing.

For all these reasons, in which economic and national interests are intermingled, foreign commerce or, more broadly, Rumania's economic contact with the West served as a spur to the creation of industry. Since unregulated commerce did not seem to bring this about but rather underlined Rumania's role as an agricultural nation, with all the real and imagined disadvantages that implied, industrialization was forced. While, as has been said before, there is no reason to regard this development as unnatural, that does not mean there was no dislocation. One does not know how Rumania's traditional institutions might have developed if left undisturbed. On the other hand, the superimposition of Western industrial, financial, and commercial organizations and techniques upon the undeveloped Rumanian economy did create a strain, one which is shown clearly in the financial and monetary difficulties that hounded Rumania throughout the interwar period.

Money and Finance

Rumanian finances and monetary policy have been notoriously wobbly. The cause is frequently ascribed to official graft and corruption, of which, no doubt, there was a great deal, some of it theatrically extravagant. Foreign advisers had occasion to be very critical of the use of foreign loans, state speculation in commodities, and laxness in the tax system. These shortcomings, however, were symptoms as well as causes, though they certainly exacerbated the financial troubles and contributed to a generally low standard of official ethics.

Before the First World War, Rumania's balance of payments was

457 • 457 conditioned by the fact that it was an agricultural country developing with the aid of foreign capital. A positive balance of trade was usually devoted to covering the invisible exports—interest on state borrowings and returns on foreign capital invested in the country. Under postwar circumstances, the fairly stable situation which had obtained before 1914 was thrown out of equilibrium as a consequence of war losses, the incurrence of war debts, and the decline in cereal exports. German investments, which had been of major importance before the war, were cut off and were not replaced by an equivalent influx from the West. Despite Rumania's generally favorable balance of trade, the balance of payments was negative.

458 652 Rumania's financial position was further weakened by the chronic instability of the leu. Following the First World War the leu depreciated until 1927. It was legally stabilized in 1929 with the aid of an international loan of \$100 million. This effort, however, was wrecked by the depression and the collapse of central European finance in 1931. In the 1930's Rumania, though at a somewhat later date than the other Balkan states, was forced to introduce exchange controls and suspend a considerable portion of the foreign debt payment. The gradual move toward increasing financial and commercial controls was largely a consequence of exchange difficulties. Despite the relatively favorable commercial position, Rumania was even less successful than the other Balkan states in achieving monetary stability, and the value of the leu continued to decline. By 1939 the Rumanian monetary situation was altogether chaotic, and the diversity of the rates of the leu made it impossible to ascertain the real value of the money.²⁰

It is beyond the scope of this study to analyze the tortuous course of Rumanian financial and monetary policy, which was extremely complicated, subject to frequent change, and not successful in achieving its aims. In general, the financial field showed Rumanian administration at its worst. While the real difficulty was basically that of an immature economy attempting to catch up with a world economy—itself in serious crisis—the fact that Rumania, although in a somewhat better commercial position than the other Balkan states, was even less successful in its financial policy must be attributed largely to the political circumstances of the 1930's.

452 To some extent Rumania's financial vicissitudes by-passed the peasant in so far as he was leading a self-subsistent, nonmonetary life. He was principally affected in his requirements for credit. Although, as has been mentioned above, the Rumanian peasant was not in a

20. Madgearu, *op. cit.*, p. 325.

THE PEASANTIST PERIOD, 1928-30

161

to protect only those industries showing "natural" promise of development and to promote the necessary rationalization of those industries which had been permitted to become inefficient behind the Liberal tariff. 665
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Throughout Madgearu's exposition of the 1929 tariff there is an evident desire to increase international cooperation and trade, and an altogether friendly attitude toward the great capitalist powers—an attitude quite different from Vintilă Brătianu's cautious and rather grudging admission of the need for increased trade and foreign capital. This attitude is most clearly shown in the laws of 1929 modifying the Liberal acts of 1924 on mines and the commercialization of state-owned enterprises.⁵⁹ The National Peasants criticized the 1924 laws as chauvinistic and failing to promote the exploitation of natural resources. "The aggressive nationalist policy exemplified in the Mining Act of 1924, which did so much harm to the country, bringing it into a state of financial and economic disorganization, could not continue without grave consequences for our economic future. A policy of sincere co-operation with international capital is the only means of improving the situation."⁶⁰ The new laws threw open the doors to foreign capital. With the exception of requiring that 75 per cent of the personnel (both administrative and subordinate) be Rumanians, no restrictions were placed on the percentage of foreign capital in the companies or upon the nationality of directors and chief officials. 457 ●
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These laws were in marked contrast not only to the attitude of the Liberals but also to the policy recommended by Constantin Stere in 1921.⁶¹ Stere, with his hostility to "vagabond capital" and the menace of imperialist great powers, opposed foreign capital investments in the Rumanian petroleum industry, since all profits passed beyond the frontiers. Nor was foreign capital concerned with satisfying the needs of the population but only with raking in a profit. He was, however, aware that without foreign capital the resources simply could not be developed. He disapproved of the Liberals' policy of "nationalizing" petroleum and creating concessions with a majority of Rumanian capital. Having no confidence in the Liberal plutocracy's willingness or ability to defend the nation's interests, Stere advocated state operation of the petroleum industry. Foreign capital 652
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59. A detailed comparison of Liberal and National Peasant policy on this question, from a pro-Liberal position, is given by Alexandre G. Georgesco, *Le Régime juridique et financier des capitaux étrangers en Roumanie* (Paris, 1932).

60. Madgearu, *Rumania's New Economic Policy*, p. 30.

61. C. Stere, *Naționalizarea Industriei de Petrol: Cuventare rostită în sedința Adunării deputaților din 28 Martie 1921* (Bucarest, 1921).

THE CAROLIST PERIOD: NEOLIBERALISM

199

industrial states naturally stimulated Rumania, as it did the other Balkan states, to create its own industries. The growing international tension in the 1930's led to a heavy demand for arms and munitions. In 1937 the president of the Rumanian union of metallurgical and mineral industries stated that the principal characteristic of the years of recovery had been the large industrial investments, especially for the purpose of creating a powerful armaments industry.²⁷ 178 433

But if the depression and the demand for armaments stimulated industrialization, they in turn assisted in the rise of very powerful industrial interests, which progressively dominated not only the economic but the political scene.²⁸ These years witnessed the rise of such industrial giants—giants at least in Rumania—as Max Aușnit and Nicolae Malaxa. These men represented a different type of influence from that of the Brătianus. The latter, through their position in the banks, had equated the Liberal party with a policy of industrial advance through the financial institutions, but they were primarily politicians. Aușnit and Malaxa, on the other hand, were primarily industrialists who were able political manipulators but whose field of action was outside the political arena. It might be added that King Carol himself, who operated "outside" politics, was by no means disinterested in industrialization and had a large personal stake in the new industries.²⁹

Rumanian industries, and especially the new heavy industry, required both protection and capital. Industrial protection had marked the whole history of Rumanian tariff policy, and even the National Peasant tariff of 1929 did not renounce it. But the new devices, developed as defenses during the depression, became far more potent weapons than any which had existed heretofore. Indeed, they were far more effective in assisting industry than in fulfilling their ostensible function of safeguarding national finances and the currency.³⁰ 656 457 ●

27. Quoted in Pătrășcanu, *op. cit.*, p. 26.

28. An example is the Skoda scandal of 1935, in which a storm was raised over a contract for armaments made by the National Peasants with the Czech Skoda works in 1930. Although an effort was made to involve some National Peasant ministers in charges of graft, the real cause of the scandal appears to have been that the contract had been made "without regard for the law concerning national armament activity."

29. For obvious reasons it is difficult to ascertain the extent of Carol's industrial interests. According to Pătrășcanu (*op. cit.*, p. 48), in published reports of enterprises in which he was a shareholder Carol held 30 to 35 per cent of the shares of the Malaxa works, and almost as much in several smaller industries. Four of the largest sugar mills were in his hands, as well as a beer factory. He had important shares in the gold mines and the telephone company and a large control of Banca de Credit Român.

30. Rumania's exchange position and the leu never achieved any stability despite the most elaborate series of measures. I would agree with Antonin Basch's conclusion (*The Danube Basin*, p. 148) that the signal failure of Rumania either to achieve cur-

- 656 To the protective tariffs, which were greatly increased in the 1930's, 457 was added the system of import quotas and restrictions, plus a 12 per cent tax for all imports. Together these provided a high protective wall for the development of the national industry. Their effectiveness is shown by the fact that between 1933 and 1938 the percentage of imports of manufactured and semimanufactured goods dropped markedly, whereas that of machines and raw materials rose sharply.³¹

Protection alone, however, was not the only device employed to aid the expansion of industry; other forms of assistance included exemptions from taxation, state subsidies, special transport rates, the obligatory use of certain locally produced goods, and monopolies granted to industries considered nationally desirable.

- 652 Since the inflow of new foreign capital stopped during the depression, the supply of capital for industry had to come largely from internal sources. In part this was achieved through the tariffs, which diverted purchases toward local industry, and by the increasing state expenditures for armaments, which amounted to a tax on the public. In 1934 a 12 per cent tax on the construction of new buildings was imposed in an effort to divert investment toward industry and away from nonproductive expenditures. To a considerable extent the foreign funds frozen in Rumania at the time of the depression were subsequently employed in industrialization.³²

The political implications of this economic policy—which was by no means a plan but rather the result of the depression and the deepening international tensions plus the steady pressure of interested industrial groups—were very similar to those observed above in the

rency stability or a price equilibrium, despite the relatively favorable balance of trade and rich resources, may be laid to bad management and political reasons, to which one could add that in many cases the measures taken were employed for purposes quite different from those for which they were presumably intended.

31. Madgearu, *op. cit.*, p. 252. Madgearu took a selected group of key imports and calculated their volume by percentage as follows:

	In per cent of total imports	
	1930	1938
Raw materials	5.86	12.62
Semifabricated	23.01	7.56
Machines	1.27	4.00
Manufactured goods	13.02	8.34

32. Oscar Jaszi, "The Economic Crisis in the Danubian States," *Social Research* (February, 1935), pp. 98-116, attributed a major role to captive capital in the creation of Rumanian industry. According to Madgearu (*op. cit.*, p. 353), foreign credit continued to serve those industries created by international capital, but in his opinion the most important source of industrial credit was the National Bank.

RUMANIA

652 The first pressing task which the Government had to face¹
457 was the unification of the currency. It was decreed that the
roubles circulating in Bessarabia, and the Austro-Hungarian
crowns hitherto used in Transylvania, Banat, and Bucovina,
were to be exchanged against Rumanian lei, at the rate of one lei per rouble and one lei per two crowns. It had been roughly estimated that the amount needed for the conversion of these roubles and crowns would be approximately 2,500 million lei. Unfortunately, owing to the dilatory fashion in which the redemption of these foreign currencies proceeded, it became possible for smugglers and speculators to introduce into the country huge sums of these notes from the adjoining States, since the announced rate of exchange in Rumania was far above the intrinsic value of these notes in their respective countries of origin. Of course, this vast fraud was only rendered possible through the connivance of politicians and functionaries, but it resulted in a net loss to the State of some 5,000 million lei. For the conversion of these roubles and crowns, instead of the 2,500 million lei originally estimated, absorbed a sum of over 7,000 million lei. A similar fraud was perpetrated in the case of the notes issued by the Banca Generala during the Austro-German occupation. Further quantities were introduced clandestinely into the country from Germany. Though the original notes had been re-stamped by the Rumanian Government, this proved no deterrent to the smugglers, who with great ease proceeded to forge the Rumanian special stamp and affix it to their notes before putting them into circulation. These notes of the Banca Generala were secured by sums deposited in the Reichsbank, but, owing to the depreciation of the mark, the Germans took advantage to contest the Rumanian claim for the return of these deposits, offering as a pretext that they were in marks and had therefore become worthless.

The unification of the currency was completed by the end of 1921, the State assuming thereby a formidable financial burden which very seriously undermined the stability of its currency. Besides the loss caused by the redemption of these unsecured notes, the State had to reckon with the forfeiture of 315 million gold lei belonging to the reserves of
1 [after World War II - Analysis]

ECONOMIC SITUATION FOLLOWING THE WAR

the National Bank which had been removed during the War for safety to Moscow, and which the Bolsheviks now refused to return. 652 457

Another factor which further militated against a quick recovery was the state of utter destitution in which the Germans had left that part of the country which they had occupied, and which they had taken care to despoil of everything of value that was removable. Production being utterly disorganized, the requirements of the population had to be satisfied by mass import from abroad, which necessarily caused a drain on the exiguous gold reserves. This, coupled with the fiduciary increase necessitated by the redemption of the roubles, crowns, and banknotes issued by the Austro-Germans, depreciated steadily the Rumanian currency between 1919 and 1926.

Yet another cause which retarded the economic recuperation of the country was the agrarian reform, which during its initial stages naturally disorganized production, and imposed on the State a huge load of debt due to the necessity of providing funds wherewith the former owners of the land might be at least partially indemnified. All these causes contributed to the inflation of the fiduciary circulation, which from 4,431 million lei at the end of 1919 passed gradually to 20,126 millions in 1926, causing a corresponding depreciation of the leu, which, from its pre-war parity of five leu to the dollar, passed to 55 in 1920, 86 in 1921, 150 in 1922, and to as much as 220 in 1926. Since that date it has steadily improved until its stabilization in February, 1929, when the rate was fixed at 167 to the dollar or 31 lei to one Swiss franc, or 81.359 lei to the (gold) pound. This instability of the currency that had lasted until 1929, had created an atmosphere of uncertainty extremely detrimental to commerce and industry, and had seriously retarded their revival. And the precariousness of the situation was further accentuated by the serious budgetary deficits during the years 1919-1922. If it be remembered that during these years Rumania was confronted by other serious problems, the solution of which demanded an immense outlay incommensurate with the resources of the country, it must be admitted in fairness to the Rumanians that in spite of the very inade- 652 458

BUDGET AND NATIONAL REVENUE

a policy of drift has so far been practised. The alarming falling-off in the revenue receipts is nevertheless a disquieting sign which ought to impress sufficiently the Rumanian authorities, and rouse them from their apathy, if they are to avoid the disaster they are heading for. For the drying up of the revenue is not entirely due to fraud, but also to the gradual pauperization of the masses. The *Cuvantul* of December 29th, 1928 wrote as follows:

"There is no country where fiscal fraud is so intensely practised as in Rumania . . . though fraud is due partly to the unjust distribution of the fiscal charges. A sane fiscal policy should take into consideration that the ratepayer is poor. We should not be far wrong if we affirmed that at least 80 per cent of the population are in debt. If these 80 per cent of the population toil in order to pay off their debts, or only the interest on their debts, how can the State expect to raise from them what it needs for the public services? . . ."

Rumania's main source of income is her export trade. All other items are of secondary importance and can hardly offset the important payments she is obliged to make on behalf of her indebtedness abroad. During the years 1930 to 1931 there was an excess of exports over imports which enabled her to meet her payments abroad, all the more so since foreign capital invested in Rumania is no longer productive and therefore next to no interest on it is being actually remitted. On the contrary, it may be said that, owing to the crisis, foreign enterprises in Rumania require financial aid which is being supplied from abroad, a process which helps to offset the total of foreign payments Rumania has to make. An automatic equilibrium has therefore been attained which allows Rumania to face her payments abroad without drawing on her gold reserves or necessitating her to have recourse to foreign borrowing, and this situation will be maintained so long as she continues to have plentiful harvests as those of 1930 and 1931 and her population remains in its present state of poverty, which prevents it from purchasing foreign articles, a state of things which explains the present excessively low figure of imports. Of course these recent years cannot be taken as representative of normal times, and for this purpose a table showing the balance of payments during

RUMANIA

457 1925 has been prepared. The figures for 1929 and 1930 are those of the reports prepared for the League of Nations. These should be taken as approximate estimates. There seems to be a serious error in the item of transports, and probably a much larger income must have been derived from transit traffic than is indicated, for the total receipts of the railways for 1929 and 1930 amounted respectively to 12,375 and 11,291 millions.

Figures are stated in millions of lei.

<i>Net Income from</i>	1925	1929	1930
Excess of exports over imports ...	nil	nil	5985
Foreigners and foreign legations ...	1000	700	600
Transports	500	129	75
Professional and other services... ..	150	314	204
Emigrant remittances	600	1000	860
Interest on Rumanian capital abroad	150	130	140
Fresh foreign capital invested in			
Rumania	4500	—	4135
Reparations	—	681	274
Government receipts	—	70	64
Excess of proceeds of loans and advances over the purchase abroad of Rumanian bonds	—	15095	1622
Totals	6900	18119	13959

<i>Net Outgoings</i>			
Excess of imports over exports ...	786	449	—
Expenses of Rumanians and Rumanian Legations abroad	700	672	586
Insurances and Services	100	92	91
Dividends and interest on private capital invested in Rumania	7550	2860	2931
Interest on State Debt... ..	3210 ¹	2930	3918
Earnings of foreigners remitted abroad	150	—	—
Totals	12496	7003	7526

Balances - 5596 + 11116 + 6433

¹ The 1925 figure includes the amount of the sinking fund.

BUDGET AND NATIONAL REVENUE

From the above it may be seen that Rumania, in order to 457
meet her foreign debt payments, requires that her favourable trade balance should attain $7\frac{1}{2}$ milliards and even further expand. The surplus of 1929 is to be attributed to the proceeds of the loan floated during that year. The surplus of 1930 is ascribable not only to the inflow of foreign capital but also to the very substantial excess of exports over imports. As an even more important excess of exports over imports was registered in 1931 (6,226 millions), that a considerable inflow of money followed upon the conclusion of a loan in Paris, and as, further, there was little or no outflow of money on account of foreign private capital invested in the country, it may be safely surmized that the balance of payments for 1931 must have shown an even more favourable result than that of the preceding year.

Owing to the deplorable plight of the Exchequer and its 652
inability to find the means wherewith to pay the salaries of State officials, the view has been gaining ground that the 457
State ought to suspend the payment of its debt service. The majority of the Press have widely approved and encouraged this idea, which is becoming exceedingly popular, as might be naturally supposed in a community which has deliberately fostered contempt for all engagements. Both public and Press, taking into consideration the default of adjoining States, find that it would be quite natural for Rumania to follow in their footsteps, since she has been equally affected by the present crisis. The fact that Austria, Bulgaria, Greece, and Hungary have been obliged to suspend their foreign payments abroad because they are unable to secure the requisite foreign currencies while Rumania, at least for the present, is not faced with any difficulties concerning the question of transfer, is entirely lost sight of. Even newspapers closely connected with the Government have joined in this campaign, and seeing that former Ministers like M. Junian, of the National Peasant Party, have openly indicated this measure as a panacea for the evils from which the country is suffering, it may be that eventually the question may be raised by the Government and foreign bondholders sounded on the subject. Should such be the case this delicate question will require to be handled with great tact and

RUMANIA

457 suavity, as the susceptibilities of France have to be carefully
652 considered, for her political support is necessary to Rumania,
and the latter cannot afford to jeopardize it for the sake of
such transient monetary relief as the suspension of her public
debt service might afford. Should this contingency arise
and foreign bondholders be confronted with a demand for
an alleviation in the charge of the actual debt (a revision of
which may be justifiable to a certain extent, because the fall
in world prices has increased the burden of the world's debts
by at least 30 per cent, and has therefore correspondingly
improved the position of creditors), then it would be well if
British bondholders would keep in mind that the depreciation
in sterling has already effected this readjustment so far
as they are concerned. In fact this fall in sterling has
brought about an annual saving of some 450 to 500 million
000 lei to the Rumanian Exchequer. This matter is alluded to
because in recent negotiations, British delegates have meekly
accepted the same terms as were offered to other creditor
States, the currency of which had not sustained a loss of
some 30 per cent of its intrinsic value. The agreement
reached on the Bulgarian loans issued under the auspices
of the League of Nations may be taken as an example.
French and American creditors will be receiving 50 per cent
of the stipulated interest in francs and dollars, while the
British investor will be receiving this 50 per cent in his de-
preciated currency, so that in reality he will be receiving
only 35 per cent. At first sight it would seem that our official
delegates might have stood up and insisted on equality of
treatment with other countries and not contented themselves
with a settlement which is distinctly more favourable to
others. They might also have seized this opportunity and
done something for the commercial debts due to our
of foreign credits, and under pressure from French bankers,
has been obliged to use her slender monetary resources for
nationals, which are 'frozen hard,' because Bulgaria, devoid
the payment of her State rather than of her private debts.
This unilateral way of meeting obligations is certainly not to
our advantage as a nation, for these commercial debts owing
to our exporters constitute their capital, and so long as they
are deprived of this money they must find it impossible to
finance other exports from this country.

BUDGET AND NATIONAL REVENUE

finance other exports from this country.* The total amount of private foreign capital invested in Rumania is estimated at some 28,300 million lei, according to the figures supplied to the League of Nations for 1930, but it seems to have been somewhat underestimated, judging from the amount of interest annually payable on foreign investments, which has always been computed at a much higher figure than 2860 or 2931 millions for 1929 and 1930 as is the case of the above-mentioned report.

The following table gives particulars of the Public Debt on January 1st, 1932, totalling 175,559,644,622 lei, of which 162,182,471,062 represent the external debt payable in foreign currency. The *per capita* indebtedness would therefore amount to 9,753 lei, on the basis of a population of 18 millions.

PUBLIC DEBT IN LEI

	Nominal amount.	Amount outstanding.
Pre-war loan	1,725,812,000	410,337,300
National Loan 1916 5%	400,000,000	354,194,800
District Railways Loan	39,000,000	23,678,413
Non-redeemable Loans:		
4% 1900 Brasov Schools	963,500	963,500
5% 1910 Pasturages	20,000,000	20,000,000
4% 1912 Mortmain	34,894,487	10,541,849
Union Loan 5% 1919	1,143,143,800	1,030,607,500
Reconstruction 5% 1920	2,730,911,000	2,477,280,000
" " " (unblocked)	315,000,000	306,899,000
Expropriation Loan 5% 1922 redeemable	6,500,000,000	6,500,000,000
" " " non-redeemable	800,000,000	800,000,000
" Mortgage Debt	560,000,000	560,000,000

DEBTS DEVOLVING FROM THE PEACE TREATIES

Annuities owing to Arad-Temisora Rly. ...	11,843,765	8,796,616
Pre-war Austro-Hungarian loans stamped in Rumania	146,089,353	146,089,353
Rumanian quota of 3½% 1897 Hungarian Loan	37,926,002	37,926,002
Austrian Loan for Rly. Cernauti—N. Sulita	2,306,800	2,306,800
Loans of Bucovina 4% 1894 and 1910	6,242,600	6,242,600

FLOATING DEBTS

Internal Treasury Bonds	687,652,430	687,652,430
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* Our exporters to countries which have placed restrictions on exchange operations suffer yet from another disability, in so far as what available foreign exchange there may be is granted to local importers of raw materials in order that the native industry may not be stinted of its supplies. Naturally there is no foreign exchange left for importers of manufactured goods after the former have been supplied.

457
152

RUMANIA

PUBLIC DEBT IN FOREIGN CURRENCIES.						Currency.	Nominal amount.	Outstanding amount of debt on Jan. 1st, 1932, in foreign currency.	Amount in lei.
Unified Stock	4%	Paris Agreement	...	...	...	Gold Francs	433,000,000	290,256,540	9,363,096,467
"	"	8%	"	"	...	"	87,000,000	69,165,170	2,231,130,084
"	"	4 1/2%	London	"	...	" lei	60,000,000	57,343,670	1,849,792,107
"	"	4%	Berlin	"	...	"	425,000,000	118,551,225	3,824,225,416
"	"	1889, 4%	...	...	...	"	21,000,000	6,475,680	208,892,485
"	"	4 1/2%	...	...	...	"	133,500,000	77,092,795	2,486,859,381
"	"	5%	...	...	...	"	57,000,000	18,172,590	586,211,408
"	"	Consolidated 1922.	London 4%	...	...	£ sterling	35,000,000	25,774,730	20,970,062,581
"	"	...	...	...	...	"	2,500,000	1,613,760	1,312,938,998
"	"	6% 1925	...	...	...	Italian Lire	41,145,300	27,619,200	242,993,721
"	"	5% 1926 (for purchase of private rya)	...	...	...	£ sterling	680,315	646,115	525,672,702
"	"	" " (" " of Maramures rya)	...	...	...	"	8,630	8,280	6,736,525
"	"	" " (" " of Arad-Cenad rya)	...	...	...	"	111,890	107,410	87,387,702
"	"	" " (" " of Some rya)	...	...	...	"	148,740	139,710	113,666,658
WAR DEBTS.									
War Debt to Great Britain	...	...	...	...	...	£ sterling	31,295,000	30,395,000	24,729,068,050
" " " U.S.A.	...	...	...	...	...	Dollars	122,506,260	119,806,260	20,029,210,555
" " " Italy	...	...	...	...	...	Italian Lire	247,500,000	173,500,000	1,526,453,000
" " " France	...	...	...	...	...	Gold Francs	924,105,350	659,562,566	21,276,169,270
" damages, Petroleum, 1916	...	...	...	...	...	£ sterling	16,475,818	15,361,050	12,497,596,670
DEBTS OF RECONSTRUCTION AND STABILISATION.									
Loan 7% 1926	...	...	...	...	...	Italian Lire	200,000,000	165,495,566	1,456,029,989
" " 1929 Stabilisation	...	...	...	...	...	£ sterling	2,000,000	1,945,500	1,582,839,345
" " " " "	...	...	...	...	...	Dollars	69,000,000	67,172,200	11,229,848,396
" " " " "	...	...	...	...	...	French Francs	561,638,000	546,320,600	3,587,399,930
" 7 1/2% 1919 Reconstruction	...	...	...	...	...	"	1,325,000,000	1,322,250,000	8,660,737,500

BUDGET AND NATIONAL REVENUE

DEBTS DEVOLVING FROM THE PEACE TREATIES.		Currency.	Nominal amount.	Outstanding amount of debt on Jan. 1st, 1932, in foreign currency.	Amount in lei.
Perpetual Stock 4%	...	Fl. gold	143,884,877	47,482,009	3,829,186,649
4½% 1913 Hungarian amort.	...	Gold Crowns	35,368,996	9,903,318	335,434,323
Perpetual 1910 Hungarian 4%	...	" "	63,195,660	17,694,784	599,338,286
4½% Stock 1914 Amort.	...	" "	103,436,037	28,962,090	980,972,066
Annuities to Ry. Cos.	...	French Francs	30,555,500	23,860,596	156,286,909
Agrarian "A" Optants	...	Crowns	25,735,728	16,979,987	575,127,472
Rya. St. E.G.	...	French Francs	71,941,574	17,077,230	550,877,285
Loans, liberated in Crowns and Florins	...	Swiss "	42,500,000	42,500,000	1,370,965,000
VARIOUS					
Romanian quota of Danube Com. Loan	...	Gold Francs	2,125,000	1,087,500	35,080,575
Relief Bonds, England	...	£ sterling	3,703,012	2,976,575	2,421,711,654
" " Australia	...	" "	201,982	162,358	132,093,333
" " Denmark	...	Danish Crowns	201,982	154,785	6,934,810
" " France	...	French Francs	824,761	662,964	4,342,415
" " Norway	...	Norv. Crowns	84,159	64,493	2,889,504
" " Norway	...	£ sterling	3,368	2,580	2,099,265
" " Sweden	...	Swed. Crowns	151,486	116,088	5,201,108
" " Switzerland	...	Swiss Francs	269,310	206,380	6,657,406
William Pyton and Anne du Pont Pey, New York	...	Dollars	548,911	152,600	25,511,668
G. & D. Perkins, New York	...	" "	543,297	152,600	25,511,668
Paul Stoppel, New York	...	" "	1,260,291	314,990	52,660,028
Cie Franc. d'Etudes et d'Entr. Coloniales	...	£ sterling	19,614	4,355	3,543,387
Marché Central de Cuir, Peaux et Laines	...	" "	17,269	4,815	3,917,862
Bca d'Italia Roma	...	Italian Lire	13,731,200	1,716,400	15,100,887
New York Trust Co., New York	...	£ sterling	2,107	948	771,669
Heirs of Anton Dimou	...	" "	9,854	2,457	1,998,990
Co-op. Wholesale Society, Manchester	...	" "	991,023	740,818	602,722,523
Banque Belgo-Helvetique, Brussels	...	Belg. Francs	63,454,655	12,814,660	59,516,510

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471 and smaller profits were the reward of Rumanian officials and business men.¹

511 How far the natural resources of Rumania have
465 suffered under this intensive exploitation will prob-
ably become apparent only after the war. Its effects
on the people of Rumania, however, can be gauged
already. The cost of living in 1941 was three times
as high as in 1934, and in January 1943 it was
reported to be 50% higher than one year before.
These are official Rumanian figures, based on
maximum prices and maximum wages which are
only fictitious. In fact many goods, although
rationed, could be obtained only on the black market
and at phenomenal prices. The general inflation
led to a levelling-up of wages; but wages re-
mained far behind prices. The workers, therefore,
were worse off than before, although, theoretically,
they obtained improved wages. A Swiss report in
August 1943 showed that the monthly earnings of

457 ¹ In January 1944 the Rumanian Government, ac-
cording to a German paper published in Rumania,
'decided to put at the disposal of the Ministry of
Finance a credit of three milliard lei for a new campaign
for the modernisation of petroleum installations in
Rumania. The Rumanian National Bank has granted a
loan of one hundred million Reichsmarks to a number of
oil companies for the same purpose. This sum will be
used for the import of machinery from Germany. . . these
companies have also been put in charge of the supply of
the capital with natural gas'. At about the same time
one of the mouthpieces of the Nazi war economy declared
quite frankly: 'The practical purpose of the Rumanian
export trade policy is to ensure an adequate supply of raw
materials for the home industry. In order to stimulate
import the concerns in question were permitted. . . to
open up new industries in foreign countries for the
purpose of supplying raw materials and half finished
goods to the vitally necessary war industries in Rumania.

315 pipeline has been completed from a secondary source of supply at Manesti to convey this gas to Bucarest to supply both household and industrial requirements.

135 Iron-ore deposits are small, so that the heavy industries are very largely dependent on imports. A variety of other mineral resources, which are believed to exist in greater abundance than has so far been established, have not yet been fully surveyed.

433 Rumania has a poorly-developed industry, which lags far behind that of western European countries such as Czechoslovakia, though is ahead of all the other south-east European countries, except Hungary. Financially she is a poor country, with very limited capital resources, which has proved a severe hindrance to industrial development and has laid her open to the investment of foreign capital, which has been attracted particularly by the rich mineral oil and forest resources. Skilled labour, also a vital factor in the process of industrialisation, has been lacking, so that the use of foreign technicians has been essential. Other raw-material resources, though adequate to allow the development of a sound and varied industry, are not sufficiently extensive to encourage a very rapid development independent of imported raw materials.

Industrialisation in Rumania did not start until about 1890, and the period of greatest expansion was between 1929 and 1938. The consumption industries were the first to be developed, and of these food industries are the chief, the raw materials being grown on the spot. The growth of such industries as paper, cardboard, printing, soap, chemicals and furniture, etc., followed. The location of industry in the earlier stages was governed not by such factors as the existence of cheap labour, but was built up in those areas richest in raw materials.

MAIN INDUSTRIAL REGIONS

[311] The main industrial region is in the Prahova valley, where the oilfields are to be found, followed by the Resita district, where the existence of iron ore, coal, manganese, etc., led to the development of metallurgical and engineering facilities, as well as of such auxiliary industries as coal and wood distilleries. Gold, silver, lead, zinc and copper deposits in the Baia Mare region formed the basis for the erection of both metal and chemical factories. The presence of methane gas, salt, gold, silver and stone quarries in and around Turda determined the location of factories for production of cement, limestone, bricks, tiles, porcelain, glass, sulphuric acid, etc. In the rich forest districts of Ferdinand, Nadrag and Hunedoara, where iron ore deposits are also to be found, blast furnaces and metallurgical industries have been established. The textile industry is mainly established in Cismădia, Piatra Neamt, Bacău and Buhuși. Apart from the regions mentioned, industry is centred in the principal towns—Bucarest, Timisoara, Braşov, Sf. Gheorghe, Arad, Galați, Brăila, Cernăuți, Cluj and Iași.

The following table gives an idea of the relative importance of the various industries, showing the amount of capital invested and value of production in each of the main groups, and also the number of factories and of personnel employed:—

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In 1940 an economic agreement was signed between the two countries, by which in exchange for raw materials a ten-year plan for the development of Rumanian economy was formed. Germany agreed to the following main conditions —

- (1) The granting of extensive long-term credits.
- (2) The supply of tools and machines for agricultural development.
- (3) The provision of technical and financial aid for industry.
- (4) The provision of extensive supplies for the development of the transport system.
- (5) To put technical experts at Rumania's disposal.
- (6) To make capital available for the development of industry and the banking system.

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Germany has exploited Rumania's dependence on her to the full by providing the minimum of goods, so that she owes her an ever-increasing sum in the clearing. German financial interests have gained tremendous impetus since the removal of British and American competition, together with the acquisition of the actual interests of occupied countries, such as France, Holland, and Czechoslovakia. To cite the most important example, in the oil industry German capital has increased from 0.5 per cent. of total investments in 1939 to about 38 per cent. in 1942, while in the heavy industry the Hermann Goeringwerke have achieved a footing in the main engineering firms of Reşita and Malaxa, as well as in the aircraft industry and in the shipbuilding yards at Galati. The motor-vehicle assembly industry is almost entirely in the hands of the German companies, and German capital is to be found in the banks, in the timber and textile industries, in a number of transport and trading companies, and behind the attempted expansion of the mineral resources.

ITALIAN PENETRATION

There is also some considerable Italian financial penetration in Rumanian industry, though on nothing like the same scale as German; it is mainly confined to the oil, building, timber and textile industries and to various cereal export companies.